State of Louisiana

Division of Administration
Office of State Uniform Payroll

January 11, 2013

OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2013-31

TO: LaGov HCM Paid Agency Human Resources
            and Employee Administration Staff

FROM: Andrea P. Hubbard
            Director

SUBJECT: Federal/State Tax Exempt Status and Other Critical Tax Information

Federal and State Tax Exempt Status:

2012 Forms W-4 for employees claiming exempt will expire **February 16, 2013**. A list of employees who are claiming this status can be produced by running ZP65 (Employee Tax Report). When reviewing ZP65, ensure that all employees whose records end **02/15/2013** have a subsequent IT0210 record. There should always be a subsequent IT0210 record to **12/31/9999**.

If you have not received a new withholding form for **2013** from the employee(s) by the deadline, you **must** change their federal filing status to "single" with "zero" withholding allowances. For employees who are claiming exempt in **2013** and a new withholding form has been received, a new IT0210 record must be created. Agencies must follow on-line help system task "Maintain Withholding Information" under LaGov HCM, "PRMD – Payroll Master/Financial Data" for instructions on changing IT0210. Louisiana state tax rules mirror the federal requirements; therefore, you should follow the same guidelines above for anyone who claimed state exempt status in **2012**.

LEO and Withholdings:

LEO's enhanced features allow employees to change federal and state tax withholding information. However, LEO will not allow employees to claim exempt or to claim more than 10 exemptions and/or dependents. Employees will receive the message "Allowances claimed greater than threshold; file W-4 to agency" or a similar message if the employee enters credits totaling more than 10. Employees must submit a paper form to their Employee Administrator for these changes.

The IRS and the LA Department of Revenue no longer require that OSUP send copies of W-4/L-4 forms for employees who claim more than 10 allowances or who claim exempt. However, agencies should maintain these paper forms on file.

IRS Lock-In Letters:

In certain situations, the IRS may issue a lock-in letter specifying the maximum number of withholding allowances permitted for a particular employee. OSUP will create an IT0161 record with this information which will automatically check the IRS mandate box on the current IT0210 record.

LEO will not allow any changes to allowances or withholding if an IRS mandate record exists. If an employee provides a new Form W-4, agency personnel should enter this information into the LaGov HCM system. The system will evaluate the master data on the employee's record and withhold the appropriate taxes. Copies of the IRS letters will be forwarded to the agency for distribution to the employee.

Critical Information Regarding Changes to IT0210 Tax Records:

The following information explains how taxes are calculated on leave payouts and **why it is important for employees to not make W-4/L-4 changes when leave payouts are expected:**

TAX CHANGES (IT0210)

- LaGov HCM handles taxing for leave payouts differently than it does for the employee's normal gross wages.

- Gross wages generated by a payout (Maintain Leave Compensation IT0416 or an auto payment of compensatory hours which exceed allowable cap) <u>are</u> converted into the equivalent of 80 hour wage amounts, forcing the tax to be calculated as multiple pay period results.

Agencies **should not** advise employees to change their tax withholding status for a single pay period to accomplish the tax "savings" that LaGov HCM calculates automatically. If tax withholding status is changed for this single period, the result may be that taxes are actually under-withheld.

When calculating an employee's tax withholding amount, LaGov HCM looks at the tax record in effect on CHECK DATE not the tax record active for the pay period date range. So, pay close attention to the FROM date entered on the tax record (IT0210) when making a change.

For questions on ZP65 and how to set up IT0210 records, contact the LaGov HCM Help Desk via a LaGov HCM Help Desk Ticket. Any other questions should be directed to the OSUP Wage & Tax Administration Unit at _DOA-OSUP-WTA@la.gov or (225):

Wendy Eggert	342-0714	Penny Jones	342-2053
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